

LFC Requester:

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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: 2/17/2026 *Check all that apply:*
Bill Number: csSB241/SFCS/aSFL/aHAF Original Correction
FC Amendment Substitute

Sponsor: Munoz, Gallegos, Trujillo, Padilla, Gonzales **Agency Name and Code Number:** 337 – State Investment Council
Short Title: Child Care Assistance Program Act **Person Writing Analysis:** Iglesias
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation	Recurring or Nonrecurring	Fund Affected
FY26 to FY31		
Up to \$700,000.0 total	Nonrecurring	Early Childhood Education and Care Program Fund
(up to \$700,000.0) total	Nonrecurring	Early Childhood Trust Fund

REVENUE (dollars in thousands)

Revenue	Estimated Revenue					R/ NR	Fund Affected
	FY26	FY27	FY28	FY29	FY30		
Interest Earnings	(\$24,000) to (\$53,000)	(\$50,000) to (\$59,000)	(\$52,000) to (\$64,000)	(\$54,000) to (\$70,000)	(\$55,000) to (\$100,000)	R	Early Childhood Trust Fund
Trust Fund Regular Distributions	\$0	(\$1,000) to (\$12,000)	(\$3,000) to (\$25,000)	(\$6,000) to (\$38,000)	(\$9,000) to (\$39,000)	R	Early Childhood Education and Care Program Fund

(Parenthesis () indicate revenue decreases)

SECTION III: NARRATIVE**BILL SUMMARY****Synopsis of House Appropriations and Finance Committee Amendment:**

The HAFC amendment lowers the amount the legislature may appropriate from the early childhood trust fund from \$1 billion to \$700 million. The amendment also makes other changes to the Child Care Assistance Program Act.

Synopsis of Senate Floor Amendment:

The Senate Floor amendment strikes “is eligible for” on page 15 line 23. The amendment is in reference to prioritization of enrollment in prekindergarten.

Synopsis of Original Bill:

The Senate Finance Committee substitute for Senate Bill 241 creates the Child Care Assistance Program Act, codifying the Childcare Assistance Program administered by the Early Childhood Education and Care Department (ECECD) in statute. The bill establishes program eligibility requirements, fiscal controls, payment rates, requirements for service providers, and required duties of the ECECD in carrying out the program.

Additionally, the bill allows the legislature to appropriate up to \$1 billion from the corpus of the early childhood education and care fund (commonly known as the “Early Childhood Trust Fund”) to the early childhood education and care program fund between fiscal years FY26 to FY31. This appropriation would be in addition to the trust fund’s regular annual distributions to the program fund.

FISCAL IMPLICATIONS

For the purpose of this analysis, SIC staff focus on the fiscal impact to the Early Childhood Trust Fund, which the Council manages, and its distributions to the program fund.

The balance of the trust fund was \$10.992 billion as of December 31, 2025. Under current law, the trust fund makes annual distributions to the program fund equal to the greater of \$500 million or 5% of the trust fund’s 3-year average market value.

Under this bill, the legislature could make an additional appropriation of up to a total of \$700 million (*H AFC amendment*) directly from the corpus of the trust fund at any time between fiscal years 2026 and 2031, provided that the distribution would not reduce the total value of the trust fund below \$10 billion.

Because the exact size and timing of the additional appropriation(s) is unknown, the Council would need to manage the trust fund such that sufficient liquidity is available to accommodate the total appropriation authority.

To estimate the potential fiscal impact, we consider three scenarios that illustrate a reasonable potential range of outcomes:

- Scenario 1: In this scenario we assume immediate withdrawal of the full \$700 million by June 30, 2026. Because the full withdrawal is exercised immediately, this assumption requires no change in the trust fund’s long-term target asset allocation but would require the Council to maintain at least \$700 million in highly-liquid, lower-returning assets through the end of FY26 to accommodate the withdrawal.
- Scenario 2: In this scenario we assume the uncertainty on timing of the appropriation(s) leads the Council to adjust the trust fund’s target asset allocation to increase fund liquidity such that the appropriation could be made at any time before FY31. This asset allocation

adjustment would reduce the trust fund's interest earning potential relative to other less liquid, higher yielding assets. Then we assume the full \$700 million is appropriated from the corpus in FY31.

- Scenario 3: In this scenario we similarly assume the uncertainty on the timing of the appropriation(s) leads the Council to adjust the trust fund's target asset allocation to increase fund liquidity to accommodate the potential for the appropriation, but no additional appropriation occurs. This scenario provides a sense of the opportunity cost of additional fund liquidity even if the additional appropriation authority is never exercised.

The tables on page 1 reflect the differences in estimated interest earnings for the trust fund and regular program fund distributions that occurs from authorizing additional withdrawals directly from the corpus of the trust fund. Tables illustrating the longer-term estimates for each scenario are available in the appendix.

In all scenarios, there is a trade-off in which authorizing a \$700 million appropriation directly from the corpus would reduce the size of the trust fund's regular distributions program fund, an outcome that policymakers may be willing to accept in exchange for the option to increase funding from the corpus to support future program needs.

The key consideration in all scenarios is uncertainty. Because the Council is unable to plan on the timing of the withdrawal, excess liquidity would need to be maintained to accommodate the potential for the full amount to be funded at any given time, regardless of whether that authority is ultimately exercised.

SIGNIFICANT ISSUES

LFC's analysis of this Childcare Assistance Program Act stated that ECECD has estimated the additional required funding to implement the policy changes considered in this Act will be \$160 million in FY27, \$107 million in FY28, and \$14 million in FY29. Presumably, the additional appropriation authority from the corpus of the trust fund would provide a potential source of funding to cover expenses related to the Act's implementation.

However, the bill does not specify any limitations on how the \$700 million appropriation from the corpus may be spent, only specifying that the appropriation would be made to the early childhood program fund. Thus, the legislature would be able to appropriate this \$700 million from the corpus in support of any early childhood service eligible for expenditure from the program fund.

PERFORMANCE IMPLICATIONS

The trust fund received \$1.2 billion in excess oil and gas revenues between August and December of 2025, and SIC is currently working to invest those dollars pursuant to the Council's approved asset allocation. Should this bill pass, SIC would likely seek to maintain most of those dollars in highly-liquid (lower-returning) assets to accommodate the potential for a \$700 million appropriation to occur at some unknown time until the end of FY31. This would reduce the return potential of the trust fund, which would ultimately reduce expected regular distributions to the program fund.

For example, the early childhood trust fund's long-term estimated annual compound return was 6.85% as of our 2025 asset allocation study. That same study estimated the long-term return

potential of the Capital Development and Reserve Fund (CDRF) and the Medicaid Trust Fund (MTF) at 6.36% – these funds have similar authority to withdraw unspecified amounts from the corpus of the fund at any given time, requiring a higher asset allocation to highly liquid and normally lower-returning assets.

The lower return expectations in scenarios 2 and 3 of this analysis demonstrate the effect of a 6.36% return assumption through FY31, versus the 6.85% return assumption under the current asset allocation. As demonstrated in the appendix table for scenario 3, this lower return expectation for those few years could cost the fund over \$700 million in lost compound interest earnings through FY50 and reduce cumulative distributions to the program fund by \$450 million over that same period, even without a direct appropriation from the corpus ever occurring.

Policymakers will need to weigh the trade-off between the benefit of the additional appropriation authority and the long-term impact on the trust fund. In any case, the Council will continue to manage the trust fund in accordance with the Uniform Prudent Investor Act, as it does all funds, seeking to ethically optimize risk-adjusted returns and grow the fund over time.

TECHNICAL ISSUES

Section 1(E) of the substitute bill as amended by HAFC reads: “*In fiscal years 2026 through 2031, the legislature may appropriate up to a total of seven hundred million dollars (\$700,000,000) from the early childhood education and care fund...*”. Staff assume the intent is to withdraw no more than \$700 million in total across all 6 fiscal years; however, the language could also be interpreted to read such that up to a total of \$700 million could be withdrawn *each* fiscal year. Presumably, the bill’s further clarification that such withdrawals cannot reduce the trust fund’s balance below \$10 billion would restrict the use of a more lenient interpretation of the language. However, clarification may be warranted.

Under current law, the unspent and unencumbered balances of the program fund revert to the trust fund at the end of each fiscal year, which would continue to be the case if the legislature authorized additional appropriations to the program fund pursuant to this bill’s provision. Theoretically, if the full \$700 million were appropriated to the program fund in FY26, and those funds were not spent in FY26, the full amount could revert to the trust fund and the legislature would be unable to make additional appropriations from the corpus pursuant to this provision.

APPENDIX A: Scenario 1

Calendar Year	Early Childhood Education and Care Trust Fund (ECECF) - Scenario 1 (\$700M withdrawal in FY26)									
	Ending Balance			Interest Earnings			Program Fund Regular Distributions			
	Current	HB176	Diff	Current	HB176	Diff	Current	HB176	Diff	
2025	\$ 10,993	\$ 10,993	\$ -	\$ 1,235	\$ 1,235	\$ -	\$ 500	\$ 500	\$ -	
2026	\$ 11,392	\$ 10,668	\$ (724)	\$ 754	\$ 730	\$ (24)	\$ 500	\$ 500	\$ -	
2027	\$ 11,718	\$ 10,956	\$ (761)	\$ 780	\$ 731	\$ (50)	\$ 523	\$ 511	\$ (12)	
2028	\$ 12,128	\$ 11,339	\$ (789)	\$ 803	\$ 751	\$ (52)	\$ 568	\$ 544	\$ (25)	
2029	\$ 12,883	\$ 12,078	\$ (805)	\$ 835	\$ 781	\$ (54)	\$ 587	\$ 549	\$ (38)	
2030	\$ 13,655	\$ 12,835	\$ (821)	\$ 887	\$ 832	\$ (55)	\$ 612	\$ 573	\$ (39)	
2031	\$ 14,241	\$ 13,404	\$ (837)	\$ 938	\$ 882	\$ (56)	\$ 644	\$ 604	\$ (40)	
2032	\$ 14,622	\$ 13,769	\$ (853)	\$ 976	\$ 919	\$ (57)	\$ 680	\$ 639	\$ (41)	
2033	\$ 14,914	\$ 14,045	\$ (870)	\$ 1,001	\$ 943	\$ (58)	\$ 709	\$ 667	\$ (42)	
2034	\$ 15,206	\$ 14,319	\$ (886)	\$ 1,021	\$ 961	\$ (60)	\$ 730	\$ 687	\$ (43)	
2035	\$ 15,512	\$ 14,608	\$ (904)	\$ 1,041	\$ 980	\$ (61)	\$ 746	\$ 702	\$ (43)	
2036	\$ 15,857	\$ 14,936	\$ (921)	\$ 1,062	\$ 1,000	\$ (62)	\$ 761	\$ 716	\$ (44)	
2037	\$ 16,175	\$ 15,236	\$ (939)	\$ 1,086	\$ 1,023	\$ (63)	\$ 776	\$ 731	\$ (45)	
2038	\$ 16,504	\$ 15,547	\$ (957)	\$ 1,107	\$ 1,043	\$ (64)	\$ 792	\$ 746	\$ (46)	
2039	\$ 16,838	\$ 15,862	\$ (976)	\$ 1,130	\$ 1,064	\$ (66)	\$ 809	\$ 762	\$ (47)	
2040	\$ 17,200	\$ 16,206	\$ (995)	\$ 1,153	\$ 1,086	\$ (67)	\$ 825	\$ 777	\$ (48)	
2041	\$ 17,602	\$ 16,588	\$ (1,014)	\$ 1,178	\$ 1,110	\$ (68)	\$ 842	\$ 794	\$ (49)	
2042	\$ 18,068	\$ 17,034	\$ (1,034)	\$ 1,206	\$ 1,137	\$ (69)	\$ 861	\$ 811	\$ (50)	
2043	\$ 18,601	\$ 17,548	\$ (1,054)	\$ 1,238	\$ 1,168	\$ (71)	\$ 881	\$ 830	\$ (51)	
2044	\$ 19,229	\$ 18,155	\$ (1,074)	\$ 1,276	\$ 1,204	\$ (72)	\$ 905	\$ 853	\$ (52)	
2045	\$ 19,940	\$ 18,844	\$ (1,095)	\$ 1,319	\$ 1,246	\$ (74)	\$ 932	\$ 879	\$ (53)	
2046	\$ 20,750	\$ 19,634	\$ (1,116)	\$ 1,369	\$ 1,294	\$ (75)	\$ 963	\$ 909	\$ (54)	
2047	\$ 21,671	\$ 20,533	\$ (1,138)	\$ 1,425	\$ 1,349	\$ (76)	\$ 999	\$ 944	\$ (55)	
2048	\$ 22,714	\$ 21,554	\$ (1,160)	\$ 1,489	\$ 1,411	\$ (78)	\$ 1,039	\$ 984	\$ (56)	
2049	\$ 23,803	\$ 22,621	\$ (1,183)	\$ 1,561	\$ 1,481	\$ (79)	\$ 1,086	\$ 1,029	\$ (57)	
2050	\$ 24,859	\$ 23,653	\$ (1,205)	\$ 1,635	\$ 1,554	\$ (81)	\$ 1,136	\$ 1,078	\$ (58)	
Cumulative Total:						\$ (1,592)	Cumulative Total:			\$ (1,086)

Key assumptions: Maintaining at least \$700 million in highly-liquid assets through the end of FY26; full \$1 billion withdrawal by June 30 2026; no other change to fund's target asset allocation; estimated annual compound return of 6.85%; inflows of excess oil and gas revenues according to the December 2025 consensus revenue estimate and September 2025 long-term consensus revenue estimate (which helps offset lost earnings potential due to corpus withdrawal).

APPENDIX B: Scenario 2

Calendar Year	Early Childhood Education and Care Trust Fund (ECECF) - Scenario 2 (\$700M withdrawal in FY31 & lower expected returns)									
	Ending Balance			Interest Earnings			Program Fund Regular Distributions			
	Current	HB176	Diff	Current	HB176	Diff	Current	HB176	Diff	
2025	\$ 10,993	\$ 10,993	\$ -	\$ 1,235	\$ 1,235	\$ -	\$ 500	\$ 500	\$ -	
2026	\$ 11,392	\$ 11,339	\$ (53)	\$ 754	\$ 701	\$ (53)	\$ 500	\$ 500	\$ -	
2027	\$ 11,718	\$ 11,607	\$ (111)	\$ 780	\$ 722	\$ (59)	\$ 523	\$ 522	\$ (1)	
2028	\$ 12,128	\$ 11,956	\$ (172)	\$ 803	\$ 740	\$ (64)	\$ 568	\$ 566	\$ (3)	
2029	\$ 12,883	\$ 12,647	\$ (236)	\$ 835	\$ 765	\$ (70)	\$ 587	\$ 582	\$ (6)	
2030	\$ 13,655	\$ 12,628	\$ (1,028)	\$ 887	\$ 787	\$ (100)	\$ 612	\$ 603	\$ (9)	
2031	\$ 14,241	\$ 13,167	\$ (1,074)	\$ 938	\$ 868	\$ (70)	\$ 644	\$ 621	\$ (24)	
2032	\$ 14,622	\$ 13,513	\$ (1,109)	\$ 976	\$ 903	\$ (74)	\$ 680	\$ 641	\$ (39)	
2033	\$ 14,914	\$ 13,783	\$ (1,131)	\$ 1,001	\$ 925	\$ (76)	\$ 709	\$ 655	\$ (54)	
2034	\$ 15,206	\$ 14,052	\$ (1,153)	\$ 1,021	\$ 944	\$ (77)	\$ 730	\$ 674	\$ (55)	
2035	\$ 15,512	\$ 14,336	\$ (1,176)	\$ 1,041	\$ 962	\$ (79)	\$ 746	\$ 689	\$ (57)	
2036	\$ 15,857	\$ 14,659	\$ (1,198)	\$ 1,062	\$ 982	\$ (80)	\$ 761	\$ 703	\$ (58)	
2037	\$ 16,175	\$ 14,953	\$ (1,222)	\$ 1,086	\$ 1,004	\$ (82)	\$ 776	\$ 717	\$ (59)	
2038	\$ 16,504	\$ 15,259	\$ (1,245)	\$ 1,107	\$ 1,024	\$ (84)	\$ 792	\$ 732	\$ (60)	
2039	\$ 16,838	\$ 15,568	\$ (1,270)	\$ 1,130	\$ 1,045	\$ (85)	\$ 809	\$ 748	\$ (61)	
2040	\$ 17,200	\$ 15,906	\$ (1,294)	\$ 1,153	\$ 1,066	\$ (87)	\$ 825	\$ 763	\$ (62)	
2041	\$ 17,602	\$ 16,283	\$ (1,319)	\$ 1,178	\$ 1,089	\$ (89)	\$ 842	\$ 779	\$ (63)	
2042	\$ 18,068	\$ 16,723	\$ (1,345)	\$ 1,206	\$ 1,116	\$ (90)	\$ 861	\$ 796	\$ (65)	
2043	\$ 18,601	\$ 17,230	\$ (1,371)	\$ 1,238	\$ 1,146	\$ (92)	\$ 881	\$ 815	\$ (66)	
2044	\$ 19,229	\$ 17,832	\$ (1,398)	\$ 1,276	\$ 1,182	\$ (94)	\$ 905	\$ 837	\$ (67)	
2045	\$ 19,940	\$ 18,515	\$ (1,425)	\$ 1,319	\$ 1,224	\$ (96)	\$ 932	\$ 863	\$ (69)	
2046	\$ 20,750	\$ 19,298	\$ (1,452)	\$ 1,369	\$ 1,271	\$ (98)	\$ 963	\$ 893	\$ (70)	
2047	\$ 21,671	\$ 20,190	\$ (1,481)	\$ 1,425	\$ 1,326	\$ (99)	\$ 999	\$ 927	\$ (71)	
2048	\$ 22,714	\$ 21,205	\$ (1,509)	\$ 1,489	\$ 1,388	\$ (101)	\$ 1,039	\$ 967	\$ (73)	
2049	\$ 23,803	\$ 22,265	\$ (1,539)	\$ 1,561	\$ 1,457	\$ (103)	\$ 1,086	\$ 1,012	\$ (74)	
2050	\$ 24,859	\$ 23,290	\$ (1,568)	\$ 1,635	\$ 1,529	\$ (105)	\$ 1,136	\$ 1,061	\$ (75)	
	Cumulative Total:			\$ (2,107)			Cumulative Total:			\$ (1,239)

Key assumptions: Asset allocation adjustment to maintain higher liquidity in the fund; estimated annual compound return of 6.36% (similar to CDRF & MTF, which also have direct appropriation authority); full withdrawal of \$700 million in FY31; inflows of excess oil and gas revenues according to the December 2025 consensus revenue estimate and September 2025 long-term consensus revenue estimate (which helps offset lost earnings potential due to corpus withdrawal).

APPENDIX C: Scenario 3

Calendar Year	Early Childhood Education and Care Trust Fund (ECECF) - Scenario 3 (no withdrawal & lower expected returns)								
	Ending Balance			Interest Earnings			Program Fund Regular Distributions		
	Current	HB176	Diff	Current	HB176	Diff	Current	HB176	Diff
2025	\$ 10,993	\$ 10,993	\$ -	\$ 1,235	\$ 1,235	\$ -	\$ 500	\$ 500	\$ -
2026	\$ 11,392	\$ 11,339	\$ (53)	\$ 754	\$ 701	\$ (53)	\$ 500	\$ 500	\$ -
2027	\$ 11,718	\$ 11,607	\$ (111)	\$ 780	\$ 722	\$ (58)	\$ 523	\$ 522	\$ (1)
2028	\$ 12,128	\$ 11,956	\$ (172)	\$ 803	\$ 740	\$ (64)	\$ 568	\$ 566	\$ (3)
2029	\$ 12,883	\$ 12,647	\$ (236)	\$ 835	\$ 766	\$ (70)	\$ 587	\$ 582	\$ (6)
2030	\$ 13,655	\$ 13,351	\$ (304)	\$ 887	\$ 810	\$ (77)	\$ 612	\$ 604	\$ (9)
2031	\$ 14,241	\$ 13,863	\$ (378)	\$ 938	\$ 853	\$ (85)	\$ 644	\$ 633	\$ (12)
2032	\$ 14,622	\$ 14,233	\$ (388)	\$ 976	\$ 950	\$ (26)	\$ 680	\$ 664	\$ (15)
2033	\$ 14,914	\$ 14,517	\$ (397)	\$ 1,001	\$ 974	\$ (27)	\$ 709	\$ 691	\$ (18)
2034	\$ 15,206	\$ 14,801	\$ (405)	\$ 1,021	\$ 994	\$ (27)	\$ 730	\$ 710	\$ (19)
2035	\$ 15,512	\$ 15,099	\$ (413)	\$ 1,041	\$ 1,013	\$ (28)	\$ 746	\$ 726	\$ (20)
2036	\$ 15,857	\$ 15,436	\$ (421)	\$ 1,062	\$ 1,034	\$ (28)	\$ 761	\$ 740	\$ (20)
2037	\$ 16,175	\$ 15,746	\$ (429)	\$ 1,086	\$ 1,057	\$ (29)	\$ 776	\$ 756	\$ (21)
2038	\$ 16,504	\$ 16,067	\$ (437)	\$ 1,107	\$ 1,078	\$ (29)	\$ 792	\$ 771	\$ (21)
2039	\$ 16,838	\$ 16,392	\$ (446)	\$ 1,130	\$ 1,100	\$ (30)	\$ 809	\$ 787	\$ (21)
2040	\$ 17,200	\$ 16,746	\$ (455)	\$ 1,153	\$ 1,122	\$ (31)	\$ 825	\$ 803	\$ (22)
2041	\$ 17,602	\$ 17,138	\$ (463)	\$ 1,178	\$ 1,147	\$ (31)	\$ 842	\$ 820	\$ (22)
2042	\$ 18,068	\$ 17,596	\$ (472)	\$ 1,206	\$ 1,174	\$ (32)	\$ 861	\$ 838	\$ (23)
2043	\$ 18,601	\$ 18,120	\$ (482)	\$ 1,238	\$ 1,206	\$ (32)	\$ 881	\$ 858	\$ (23)
2044	\$ 19,229	\$ 18,738	\$ (491)	\$ 1,276	\$ 1,243	\$ (33)	\$ 905	\$ 881	\$ (24)
2045	\$ 19,940	\$ 19,439	\$ (500)	\$ 1,319	\$ 1,286	\$ (34)	\$ 932	\$ 908	\$ (24)
2046	\$ 20,750	\$ 20,240	\$ (510)	\$ 1,369	\$ 1,334	\$ (34)	\$ 963	\$ 938	\$ (25)
2047	\$ 21,671	\$ 21,151	\$ (520)	\$ 1,425	\$ 1,390	\$ (35)	\$ 999	\$ 974	\$ (25)
2048	\$ 22,714	\$ 22,184	\$ (530)	\$ 1,489	\$ 1,453	\$ (36)	\$ 1,039	\$ 1,014	\$ (26)
2049	\$ 23,803	\$ 23,263	\$ (540)	\$ 1,561	\$ 1,524	\$ (36)	\$ 1,086	\$ 1,060	\$ (26)
2050	\$ 24,859	\$ 24,308	\$ (551)	\$ 1,635	\$ 1,598	\$ (37)	\$ 1,136	\$ 1,110	\$ (27)
	Cumulative Total:	\$	(1,002)		Cumulative Total:	\$	(451)		

Key assumptions: Asset allocation adjustment to maintain higher liquidity in the fund; estimated annual compound return of 6.36% (similar to CDRF & MTF, which also have direct appropriation authority); no direct withdrawal from the fund’s corpus; inflows of excess oil and gas revenues according to the December 2025 consensus revenue estimate and September 2025 long-term consensus revenue estimate (which helps offset lost earnings potential due to corpus withdrawal).